



Legislation Details (With Text)

File #: 14-387 **Version:** 1 **Name:** Staff Report on Measure Z Annual Report 2014
Type: Staff Report **Status:** Filed
In control: City Council
On agenda: 9/15/2014 **Final action:** 9/15/2014
Enactment date: **Enactment #:**

Title: Staff Report for Resolution Approving the Measure Z Citizens Oversight Committee's Annual Report on Measure Z Sales Tax for Fiscal Year 2013-14

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Indexes:

Code sections:

Attachments:

Date	Ver.	Action By	Action	Result
9/15/2014	1	City Council	Received and Filed	

Staff Report for Resolution Approving the Measure Z Citizens Oversight Committee's Annual Report on Measure Z Sales Tax for Fiscal Year 2013-14

SUMMARY AND RECOMMENDATIONS

On November 2, 2010, the Measure Z quarter-cent sales tax was approved by more than 60% of voters. The ballot language assured voters that Measure Z receipts would provide revenues to cover vital City services, expire March 31, 2018, be subject to annual audits and be reviewed by a citizens oversight committee. It is recommended that the City Council accept the annual report developed by the Measure Z Citizens Oversight Committee and use this information to advance the discussion of revenue sustainability for the City.

BACKGROUND

On November 2, 2010, the Measure Z quarter-cent sales tax was approved by more than 60% of voters. The ballot language assured voters that Measure Z receipts expire March 31, 2018, are subject to annual audits and are reviewed by a citizens oversight committee.

On April 2, 2012, the City Council passed a resolution authorizing the creation of the Measure Z Citizens Oversight Committee. The City Council defined the scope of responsibility and duties of the Oversight Committee to include developing an annual report on the following:

- Amounts of Transaction and Use Tax revenue generated by Measure Z
- Use of the tax revenue and the impact on the City operating budget including a statement on the impact of the revenue in reducing the amount of cuts resulting from addressing the budget shortfall
- Statement of expenditures funded by Measure Z revenues

- Impacts of Measure Z on local business competitiveness and the collection of Sales Tax revenues
- Measure Z public information and transparency efforts
- Participation in developing a revenue sustainability plan and strategy

On December 3, 2012, the City Council approved the five-member Committee consisting of City leaders chosen from commercial and non-profit organizations.

The Measure Z Citizens Oversight Committee held several meetings, made several recommendations and submitted its annual report. City staff supported the work of the Committee by producing audited financial statements for each year that Measure Z taxes were collected. These audits produced clean, unqualified opinions from the City's Certified Public Accountants, independent auditor. These audits and budgets adopted by the City Council received awards from the Government Finance Officers Association.

On September 16, 2013, the City Council approved the Measure Z Annual Report.

Analysis

Amounts of Transaction and Use Tax revenue generated by Measure Z

The adopted Budget approved on May 19, 2014 anticipates \$4.45 million Measure Z revenue for FY 2013-14. This represents an increase of 3.5% from the prior year.

Use of the tax revenue and the impact on the City operating budget including a statement on the impact of the revenue in reducing the amount of cuts resulting from addressing the budget shortfall

The Measure Z revenue is available for any legal expenditure by the City. In the context of public safety, the annual revenue represents about 16.1% of the police department's Fiscal Year 13-14 budget, which is \$27.6 million, and 22.3% of the fire department budget, which is \$20 million. Without Measure Z, the sworn police officers totaling 90 could be cut by as much as 14 positions (if \$4.45 million was removed from the police department budget). Similarly, the fire department's 63 firefighters could be down 14 positions (if all \$4.45 million was eliminated from its budget). The ballot also indicated that Measure Z would sustain 9-1-1 emergency response times, neighborhood police patrols, investigation and gang suppression officers, library hours/programs, street and pothole repairs, youth after-school and senior programs, and other general City services. The City preserved funding for these programs and projects due to Measure Z.

Statement of expenditures funded by Measure Z

58% will be spent on public safety in Fiscal Year 14-15. The remaining 42% will fund libraries, parks, community development, infrastructure improvements, repairs, maintenance and administration. The City's Fiscal Year budget, which ends on June 30, is currently balanced.

Impacts of Measure Z on local business competitiveness and the collection of Sales Tax revenues

Sales tax revenue has increased since the inception of Measure Z. The upward trend indicates that the City continues to receive its share of local consumer spending. San Leandro base sales tax (without counting Measure Z revenue) has grown 19%, \$196/capita to \$233/capita despite the addition of Measure Z. In contrast, Alameda County's sales tax is \$174/capita.

Measure Z public information and transparency efforts

Measure Z revenue has been highlighted each year in the City Council's adopted budget. In the

recently adopted Biennial Budget Message, the following excerpt states: The City would have faced even greater service reductions if not for the additional revenue from Measure Z, the temporary, quarter-cent sales tax measure approved by over 60% of the voters in the November 2010 election. Measure Z's passage generates about \$4,000,000 annually in additional revenue, allowing the City to maintain existing service levels. The Measure Z ordinance expires in five years on March 31, 2018.

Committee Review and Actions

The Measure Z Citizens Oversight Committee met on July 30, 2014 to review and advance the report for City Council approval.

ATTACHMENT

Attachment to Resolution

- Measure Z Annual Report

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